REGIONAL TRADE INSTITUTIONS IN WEST AFRICA: HISTORICAL REFLECTIONS

Keywords: trade institutions; Empirehood; colonial; ECOWAS
JEL classification: F15, N77; O17

REGIONAL TRADE INSTITUTIONS IN WEST AFRICA: HISTORICAL REFLECTIONS?

Abstract: This paper reflects on trade institutions across West Africa from the Empirehood to the present day. We found that regional trade institutions were more standardised across West Africa before the current countries gained their independence. We argue that reflection on past trade institutions could provide important guidance for policy makers currently involved in deepening the Economic Community of West African States (ECOWAS). Our review of the literature suggests that the Empirehood was an era with more standardised trade institutions across the region relative to the current ones. Societal norms and political consensus such as the 'Mande charter' and the coming of Islam created a discipline that enhanced confidence in the ability to trade, which was facilitated by common trade institutions such as convertible common currencies and letters of credit. During the colonial era, West African common currencies were also established to facilitate exchange. Historical changes in governance resulted in the loss of some facets of well-functioning trade institutions. This paper argues that historical context can provide policy makers with the confidence that current institutional barriers to trade can be addressed. ECOWAS members could reflect on historical good practices if they are to accelerate the integration process and to realise the full potential of regional trade.

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1. INTRODUCTION

Path dependency theory supports the proposition that history contributes to the current development and quality of institutions in a country or region (Acemoglu et al, 2001; 2005; Nunn, 2007 and Austin, 2008). Institutional theories also argue that the quality of institutions emanates from societal norms and interactions and the need for certainty in all forms of exchanges (Powelson, 1972; North, 1991; Englebert, 2000; Fafchamps, 2004; Hodgson, 2006; Furubotn and Richter, 2010 and Chang, 2011). Therefore, history can help to explain current institutions in Africa or at least provide us with some information about the historical changes that took place. However, Jerven (2011) argued that it doesn't make sense to attribute Africa's poor growth performance to initial conditions because there has been ample time to make adjustments to past deficiencies. Nonetheless, Acemoglu et al (2001) identified a historical link between European settlements in former colonies and variation in the quality of their institutions. Their research highlights that colonies where Europeans settled tend to have better institutions. Such claims are supported by Hillbom (2014), who noted that British colonies in the southern part of Africa received grants under the Colonial Development Fund in order to stimulate investment and institutional development.

Nevertheless, these analyses suggest that the level of underdevelopment in Sub-Saharan Africa (SSA) and West Africa in particular can be attributed in part to weak pre-colonial and extractive colonial institutions (Rodney, 1981; Acemoglu et al, 2001; Nunn, 2007 and Richards and Nwanna, 2010). Indeed, Boettke and Fink (2011) argued that the quality of institutions determines the extent to which society engages in productive activities, hence weak and extractive institutions lead to low economic productivity including trade flows. However, most of the research about regional trade institutions and harmonisation in West Africa is skewed toward two areas. The first focuses on how the trans-Atlantic slave trade and colonial era trade favoured external relations, which implies that less emphasis was put on developing infrastructure and institutions that promoted regional trade (Rodney, 1981; Davidson, 1985; Acemoglu et al, 2001; Aryeetey, 2001; Nunn, 2007; Nunn, 2008; Richards and Nwanna, 2010; Frankema and Waijenburg, 2012; Keyser, 2012; Sousa, 2012 and Hillbom, 2014). Related studies also looked at commodity trading in the trans-Saharan trade during the Empires of the Western Sudan (Barry, 1998; Thornton, 1999; Lydon, 2009 and Conrad, 2010). Hence, there was a structural shift in the development of institutions in West Africa during the colonial era which has continued until today (Nunn, 2008). The second research area focuses on the feasibility of monetary union and the implications of the merger of the West African Monetary Zone (WAMZ) with the West African Economic and Monetary Union (WAEMU) within the Economic Community of West African States (ECOWAS) (Debrun et al, 2005; Fielding and Shields, 2005; Tsangarides and Qureshi, 2008; Daboh, 2010; Adamu and Itsede, 2010 and Alagidede et al, 2012). Although international trade and monetary union are desirable, weakness and variation in regional trade institutions have been found to result in high costs for cross border trading in ECOWAS (ATPC Briefing, 2010; Keyser, 2012; Cissokho et al, 2012; Diop, 2012 and Sy, 2014).

This paper argues that the current literature relating to ECOWAS lacks a holistic view of the development and harmonisation of regional trade institutions in the pre-colonial and colonial era and pays insufficient attention to the history that could enable us to know how the present came about. Therefore, this paper contributes to our understanding of the changes regarding the development and standardisation of regional trade institutions from a historical perspective that is lacking in the existing literature. We argue that these historical reflections can be relevant when considering trade facilitation in West Africa today, conditional on further investigation into how lessons could be drawn from good practices in the past. Moreover, this research identifies some recurrent challenges facing ECOWAS cross border trade that are associated with the weakness in regional trade institutions and some potential solutions.

The history of the development of regional trade institutions in West Africa can be divided into three periods namely; the Empirehood[1] (790 to 1650 AD), the Atlantic slave trade and colonialism (1650 to 1960s) and the post- independence and subsequent formation of ECOWAS from 1975 onwards. Each of these periods played an important role in shaping trade patterns, the rules and behaviour of West Africans as well as state building (Bovill, 1933; Davidson, 1985 and Conrad, 2010). Furthermore, the issue of

[1] Empirehood refers to the Empires of Western Sudan (Ghana, Mali and Songhai).

weak pre-colonial institutions in the Empires of Western Sudan[2] is controversial. These Empires developed regional trade institutions including protection of trade routes, enforcement of trade agreements and common currencies (Polanyi et al, 1975; Rodney, 1981 Davidson, 1985; Thornton, 1998; Stiansen and Guyer, 1999; Green, 2011 and Hopkins, 2014).

The structure of the paper is as follows. We will first discuss the trade institutions in West Africa during the Empires of Western Sudan in section 2. An assessment of trade institutions during the colonial era and its implication for current regional trade institutions in ECOWAS follows in section 3. Section 4 concludes the paper.

2. THE EMPIREHOOD PERIOD (790 to 1650 AD)

The study of regional trade institutions in the Empires of Western Sudan and the colonial era has not been investigated sufficiently in terms of their historical change and the extent to which they were standardised. Our discussion here aims to fill this gap. Trade institutions are defined as rules and systems which govern and facilitate trade such as a common currency, enforcement of contracts, common trade taxes, protection of trade from corruption and the administrative system (North, 1991). These institutions were of particular importance during the Empires of Western Sudan and the subsequent colonial era and have been discussed in a number of papers (Davidson, 1985; Nunn, 2007; Waines, 2010; Conrad, 2010 and Hopkins, 2014). Their heritage continues to be important in facilitating trade across the world today. Western Sudan consisted of three major Empires from around 790 to 1650AD; the Ghana, Mali and Songhai Empires respectively (Conrad, 2010). These Empires covered most of the present day ECOWAS member states and to some extent defined the precolonial history of West Africa (Adomakoh, 1962; Munson, 1980; Catchpole et al, 1983; and Barry, 1998; Silberman et al, 2012 and Ikpo, 2015). Each of these Empires was composed of kingdoms or provinces with their own specialised mode of production, which

[2] Note: The Empires of Western Sudan have been used interchangeably with West Africa.

provided the inevitable need for exchange, despite the existence of subsistence farming (Rotberg, 1965; Davidson, 1985; Shillington, 1995; Conrad, 2010 and Cinyabuguma and Putterman, 2010). Exchange requires functionality of rules and regulations as well as distribution channels. As such, trade routes were created, which stretched from the Atlantic coast of present day Mauritania, The Gambia and Senegal (Tekrur Empire) to Hausa land in Nigeria, southwards to present day Guinea and Ivory Coast in addition to the trans-Saharan trade routes that stretched to present day Morocco, Algeria, Libya and Egypt (Davidson, 1985). Additional routes, such as rivers, linked villages and towns (Lugard, 1964 and Meagher, 1997; Thornton, 1998; Conrad, 2010 and Hopkins, 2014).

These Empires were also called successor Empires because they emerged from one another (Levtzion, 1971). These successions provided historical change toward standardisation of regional trade institutions as new Empires inherited and improved the previous systems. For example, the Mali Empire adopted the import and export taxes from Ghana while also absorbing Ghana (Munson, 1980 and Davidson, 1985). Hence, there was a gradual move towards common trade taxes as the Empires enlarged. Furthermore, the kings in the Mali Empire recognised that, in order to promote trade, there must be security and certainty in trade transactions (Conrad, 2010). As a first step, the Mali Empire made peace with other kingdoms through consensus (Davidson, 1985; Levitt, 2015; Asante and Leadbitter Jr, 2016). The 'Mande charter'[3] was of particular importance in the move toward common institutions in the Mali Empire and in subsequent Empires (Levitt, 2015; Asante and Leadbitter Jr, 2016). The 'Mande charter', brought clans and small kingdoms together in order to codify how they should be governed (Levitt, 2015; Asante and Leadbitter Jr, 2016). Since clans and kingdoms existed mainly on an ethnic basis at the time, the expansion of Empires arose from consensus, although warfare was also used to annex in some places

[3] The charter brought various clans and people together and codified how the Mail Empire should be governed in diversity. It covers many other aspects of human life such as security, right to life, inter-tribal cousinship and trade. The charter is sometimes spelled as Manden although it should be Manding. It is sometimes also referred to as Krukan Fuga.

(Conrad, 2010). The clans and small kingdoms agreed to be ruled by one king in order to maintain overall peace, to protect trade routes and to harmonise trade rules.

Ibn Battuta and Al-Bakri cited by Davidson (1985) and Waines (2010) suggested that the harmony of trade rules in different parts of the Empires provided security and certainty for traders. Furthermore, Ahmad ibn al-Yaqubi cited by Conrad (2010) narrated that the kings had smaller kings under their authority which points to the likelihood of common rules governing the Empires. Ibn Kathir also narrated that 'Mansa Musa' had an estimated 24 kings under his authority. Conrad (2010) argued that the strength of the Empires was based on the control of regional and international trade which suggests the unlikelihood of the divergence of regional trade institutions. Nunn (2007) and Hopkins (2014) argued that the expansion of trade led to large towns and the formation of states (Empires), gradually leading to an economic unity of West Africa. These sources suggest that regional trade institutions were gradually standardised as Empires enlarged. This was likely from an economic point of view since the divergence of trade institutions in the same town or empire would have pushed traders to markets with more efficient institutions. In their absence, places with less efficient trade institutions would have had to adjust in order to remain competitive. Furthermore, a number of papers highlighted that small kingdoms were annexed by larger kingdoms in the process of forming these Empires (Conrad, 2010). Hence, divergence of regional trade institutions would have been unlikely in these Empires since annexed kingdoms were likely to comply with their conquerors (Barry, 1998; Conrad, 2010).

The historical changes toward standardised regional trade institutions should be expected since these Empires were significant trading entities that derived their strength from the exchange of many commodities such as gold and salt (Polanyi et al, 1957; Rodney, 1981; Davidson, 1985; Reece, 2005 and Waines, 2010). Other goods traded within West Africa included textiles, kola nuts, ivory, copper[4], food and live animals (Johnson, 1970; Lovejoy, 1974; Munson, 1980; Conrad, 2010 and Hopkins,

[4] Copper was traded as well as used to make 'manillas' that acted as currency (Muller, 1985 and Naanen, 1993).

2014). Although, the trading quantities were unknown, there is evidence that intra-West African trade was extensive, where cowrie shells, gold, copper, manillas and cloth acted as common currencies to facilitate trade in the region (Adomakoh, 1962; Johnson, 1970; McPhee, 1971; Lovejoy, 1974; Austen, 1987; Manning, 1988; Naanen, 1993; Ogundiran, 2000; Nawaz, 2001; Nunn, 2007; Lydon, 2009; Odunbaku, 2012 and Hopkins, 2014).

The historical changes in these Empires and the security for traders suggested the presence of standardised trade rules and regulations. Systems to protect trade routes through the army and royal officials, courts to settle trade disputes, banking and letters of credit to ease payments, common currencies and common trade taxes were all established to facilitate and protect trade (Bovill, 1933; Polanyi et al, 1957; Johnson, 1970; Levtzion, 1971; Munson, 1980; Rodney, 1981; Reece, 2005 and Waines, 2010). These trade institutions were of particular importance in the Empires and their practices could be relevant in facilitating trade in West Africa today. Furthermore, reflection on these regional trade institutions could identify solutions to some of the recurrent institutional failures which add to trade costs within ECOWAS today. For example, the trade, customs and free movement of persons (TACFEMP) as well as the legal and judicial affairs committees are important sub-committees of the ECOWAS parliament. In addition to other duties, the TACFEMP committee is responsible for developing legal rules regarding the establishment of the economic and monetary union (article 55 of the 1993 revised treaty), which was scheduled for 2008. Furthermore, the committee considers the regulation of custom procedures, payments and other trade related rules as stipulated in Chapter VIII and also supports coordination of the judiciaries on trade related disputes (ECOWAS Parliament, 2014). In the Empirehood, the King had representatives in each kingdom whose role was to monitor rules and regulations (Polanyi et al, 1957; Davidson, 1985, Reece, 2005 and Hopkins, 2014).

A number of papers highlighted the presence of common currencies during the Empires of Western Sudan such as cowrie shells, copper and manillas, cloth, gold and iron rods (Hopkins, 2014; Johnson, 1970 and Naanen, 1993). For example, the Ghana

King levied one gold Dinar (mithqal) for each donkey load of goods entering the Empire and two Dinars for leaving the Empire, regardless of point of entry or exit (Davidson, 1985 and Conrad, 2010). Such levies are equivalent to import and export tariffs in modern international trade language. It suggests that the gold mithqal acted as a common currency and common trade taxes in the Ghana Empire. If other currencies existed at the same time, it was likely that they were convertible. Indeed, Conrad (2010) argued that as early as the 13th century, West Africans preferred cowries as a medium of exchange.

This argument is corroborated in a number of papers. Johnson (1970) narrated that gold and cowries were the most commonly used currencies in West Africa. Hopkins (2014) noted that cowries were used extensively and other currencies were used only where cowries could not penetrate. Furthermore, Ogundiran (2000) and Odunbaku (2012) also highlighted that the cowrie shells were used in all West African states in the pre-colonial and colonial era. Corroboration of the extensive level of intra-West African trade with the extensive use of cowries suggests that they acted as a common currency or at least were convertible to other currencies. Hence, cowries evolved to replace other media of exchange as the Empires expanded. The cowrie was fixed in value against other goods and currencies outside West Africa in order to generate certainty of wealth value (Johnson, 1970 and Hopkins, 2014). Therefore, the extensive use of cowries as a medium of exchange shows that it was accepted as a common currency and was convertible with other lesser used currencies. In contrast, ECOWAS is characterised by eight currencies which are not directly convertible (Sy, 2014). This shows the extent to which the Empires had a more standardised currency management system than the current situation in ECOWAS.

The historical changes in the enforcement of contracts during the Empires of Western Sudan suggest that they were gradually standardised. This is corroborated by several events. First, the existing literature suggests that intra-West African trade was extensive (Thornton, 1998; Stiansen and Guyer, 1999 and Hopkins, 2014). Secondly, Conrad (2010) narrated that 'Mansa Musa' had about 24 minor kings under his control during the Mali Empire. Since the Songhai Empire was larger, it was likely that minor kings were under the authority of one king. Third, there were royal courts in each province assigned to settle all kinds of disputes including trade (Waines, 2010). Fourth, Waines (2010) highlighted the presence of interlocutors between parties engaged in trade and in royal courts as witnesses in the Mali Empire. For example, Ibn Battuta cited in Waines (2010) bought a slave girl for 25 gold mithqals, but the owner later wanted to revoke the deal. However, the interlocutor was consulted which resulted in Ibn Battuta being compensated with another slave girl. Fifth, the provinces had representatives in the Empires, while the kings also sent representatives to these areas, where their role was to convey and monitor any agreements. These events suggest that the provinces benefitted from trade to the extent that they agreed to be ruled by a central authority that would harmonise trade and maintain overall peace (Davidson, 1985). This reinforces our earlier discussion, that it is unlikely that there were divergent contract enforcement rules in the Empires. These representatives and interlocutors ensured that contracts were enforced.

ECOWAS could reflect on its historical past regarding the enforcement of contracts during the Empirehood era. Keyser (2012) found that cross border traders within ECOWAS pay on average an estimated US$100 per trip in bribes, mainly at border points and unofficial road blocks. Cissokho et al (2012) also surveyed truckers between the Dakar-Bissau and Dakar-Mali corridors and found that, on average, traders pay an estimated US$129 in bribes per trip of 666 kilometres. Long delays and unnecessary paper work at border points also add an estimated US$0.04-0.10 per ton kilometre for long distance road transport within West Africa in contrast to US$0.03-0.04 per kilometre ton in OECD countries (Keyser, 2012). The ECOWAS president commented on these unexpected costs in an interview marking the 40-year anniversary of ECOWAS (Multimedia ECOWAS communication, 2015). The president noted that, despite all the protocols being signed on free movement of persons and goods, ECOWAS citizens still face unexpected trade costs at border points and checkpoints in the form of bribes payment and long delays.

The Empires of Western Sudan also protected trade routes from corruption through the royal armies. As trade expanded in the early days of the Empires of

Western Sudan, there were reports of caravans being attacked along the trade routes in some parts of the empires (Davidson, 1985; Barry, 1998 and Conrad, 2010). As a result, royal armies were assigned to patrol trade routes in order to protect them. Again, the earliest narrations by Ibn Battuta suggest that there was security in the Empires for traders. Trade taxes were used to fund the royal armies' patrols (Conrad, 2010). Hence, the leaders in these Empires were pragmatic in resolving issues which hindered trade flows. This was made easy by a commitment to be governed from a central authority.

This type of political commitment, whereby countries form a federation or similar organisation, is needed in the context of ECOWAS in order to achieve deeper economic integration. Furthermore, the Western Sudan era highlights a number of observations regarding the determinants of institutional quality such as the need to maintain peace as a requirement to expand trade as well as certainty of trade rules. Al-Bakri cited by Davidson (1985) and Conrad (2010) provide interesting evidence about the harmony of trade rules in different parts of the Empires. Ibn Battuta further described that lost goods would be returned, which epitomised the effectiveness of these trade institutions since the implications for non-compliance were clearly defined and included enforced exile (Waines, 2010). Royal courts were usually attended by large crowds during which citizens submitted complaints and legal disputes and judgements were made openly, which was culturally humiliating (Conrad, 2010).

According to Ibn Battuta, the compliance rates across these Empires were high because the social and cultural norms valued sincerity and integrity in all forms of interactions (Waines, 2010). Societal norms determine the extent to which institutional rules are adhered to and existing empirical findings have supported their importance in determining institutional quality (North, 1991; Rodrik and Subramanian, 2004; Rodrik, 2007 and Alonso and Garcimartin, 2013). In the context of ECOWAS, trade institutions would be expected to emanate from societal norms.

This analysis explains that regional trade institutions in the Empires of Western Sudan were developed and standardised relative to the current situation in West Africa. This has been corroborated by commentaries from Al-Bakri and Ibn Battuta's narratives about the efficiency of trade in the Empires (Thornton, 1998; Stiansen and

Guyer, 1999; Conrad, 2010 and Hopkins, 2014). This is not surprising because the Empires grew out of trade. Hence, it was likely that relatively more resources were allocated to improving trade institutions. Arguably the institutions that facilitated trade such as the common currency and standardised trade rules, such as common trade taxes, protection of trade routes through the royal armies and dispute settlements through royal courts, were more standardised and efficient than the current trade institutions in the ECOWAS region. In order to achieve regional development through regional integration and trade, strong institutions must set common rules (Omorogbe, 1993; Englebert, 2000; Aryeetey, 2001 and Assane et al, 2014). As such, ECOWAS can learn lessons from the Empirehood period, in terms of improving the quality of regional trade institutions as a prerequisite to successful regional integration and facilitation of trade.

However, the last major Empire in West Africa, Songhai, collapsed around 1650, creating a power vacuum and internal conflicts that resulted in inward looking kingdoms. This marked another turning point in the development of trade institutions in West Africa. Review of the literature suggests that we should depart from the current conventional assertion that colonialism directly interrupted the natural development of institutions in SSA. We argue that such claims are debatable with regard to regional trade institutions since internal conflicts led to antagonism and lack of cooperation among kingdoms that had existed before the Atlantic slave trade and colonial rule. These conflicts induced a power vacuum that was exploited by European traders and colonialists. What we can establish is that regional trade institutions evolved to be standardised before the Songhai Empire collapsed. Furthermore, the colonial era also created some regional trade institutions such as common currencies, central bank and common trade rules that could be vital in promoting regional trade today.

3. THE SLAVE TRADE AND COLONIALISM (1650 to 1960s)

The Atlantic slave trade and subsequent colonialism also played an important role in defining the history of West Africa and SSA today (Hillbom, 2014). The conventional wisdom in the existing literature is that the slave trade and colonialism interrupted the natural development of institutions in SSA (Acemoglu et al, 2001 and Nunn, 2008). However, the slave trade and the colonial era did encompass some institutions which could have been vital in promoting regional trade today such as common currencies, single administration, contract enforcement through the chiefs and a common education system, although they may not have been specifically intended to do so. The colonial era saw a shift from local administrative systems to the adoption of international administrative systems, while British colonies also experienced indirect rule. Furthermore, the importance of various trade routes changed. During the Empirehood, Europeans and Asians particularly benefitted from trans-Saharan trade since there was limited sea travel to the West African coast. For example, significant proportions of the gold that Europeans used to make coins originated from West Africa via these trade routes (Lydon, 2009). However, expansion of sea travel brought West Africans into more contact with European traders along the coast partly contributing to the decline of trans-Saharan trade (Barry, 1998; Thornton, 1998; Austen, 2010; Conrad, 2010 and Lovejoy, 2012).

Hitherto it was North Africans who were the middlemen. However, occasional internal conflicts within West Africa meant that Europeans could not trade securely and they gradually began to accompany their vessels with armies. This is corroborated by Milgrom et al (1990) and Grief (1992) who argue that, during the 13th to 16th century, European merchants demanded that their governments should help to protect international trade routes. In the previous section, we highlighted the possibility that the standardised regional trade institutions may not have continued after the collapse of the Songhai Empire. This view assumes that internal power conflicts in West Africa partly broke the Songhai Empire and led to smaller inward looking kingdoms. However, this claim has been contested by Johnson (1970); Davidson (1985); Nunn (2008) and Nunn and Wantchekon (2011).

The extension of European trade with the Americas and the need for productive workers in the plantations partly led to the trans-Atlantic slave trade (Austin, 2008). There are conflicting estimates as to the number of slaves that were transported across the Atlantic Ocean. The focus of this section is to highlight that West African contacts with Europeans initially began with trade in goods and humans then subsequently led to colonial rule, which shaped institutions in the region (Acemoglu et al, 2001). Rodney (1981), Kingsley (1899); Nunn (2008) and Nunn and Wantchekon (2011) are of the view that the slave trade and colonialism interrupted institutional development in West Africa. They assert that it created antagonism among communities that had hitherto lived together peacefully due to their trade links. However, there were internal conflicts in the Songhai Empire, which partly contributed to its collapse around 1650. Therefore, although we cannot entirely dismiss the claim that colonialism may have aggravated any future attempt to unite West Africa under an Empire, it is debatable that the institutional development experienced during the Empirehood would have continued. What can be established is that the regional trade institutions during the Empirehood were more standardised and effective than the current regional trade institutions in West Africa mainly because the Empires were ruled akin to a federal administration especially after the 'Mande charter' (Levitt, 2015; Asante and Leadbitter Jr, 2016).

Furthermore, institutions existed during the slave trade era that continued during colonialism, such as the use of cowries as a medium of exchange, a single administration and the use of chiefs to enforce contracts (Polanyi et al, 1957 and Apoh, 2008). Europeans vessels set out from their ports to the West African coast where they exchanged goods for slaves. These slaves were later transported to the Americas where they farmed goods such as sugar, coffee, tobacco, rice and later cotton, which were then transported to Europe. There is consensus in the existing literature that the European traders cooperated with agents and kingdoms in West Africa that facilitated the slave trade (Polanyi et al, 1957; Barry, 1998; Green, 2011 and Lovejoy, 2012). The structure of these agents' transactions has not been fully researched. However, Polanyi et al (1957) and Green (2011) argued that small kingdoms had security agreements where they paid each other customs duties in return for easy passage of captured slaves, which was synonymous to similar rules which protected trade routes. We argue that these agreements and cooperation may be considered as mechanisms to harmonise trading rules and regulations in West Africa although these rules were geared towards an inhumane international trade rather than intra-kingdom trade in goods.

However, lessons can be drawn from these events. For example, the harmonisation of trade institutions at the regional level requires funding to function effectively. During the Empirehood and slave trade these rules were enforced by royal armies and funded from custom duties and production taxes (Polanyi et al, 1957 and Davidson, 1985). Therefore, allocating a percentage of trade taxes specifically for the ECOWAS trade facilitation scheme is one method of funding and maintaining the effectiveness of some regional trade institutions.

The cooperation of some kingdoms for easy passage of slaves indicated the presence of rules governing this inhumane trade. Reneging on arrangements could have resulted in a war between kingdoms. For example, the kingdom of Dahomey and Whydah cooperated in the transport of slaves by protecting routes in exchange for payment of customs duties. However, Dahomey seized Whydah in 1727 in order to take full control of trade routes after Whydah refused to pay duties to Dahomey (Polanyi et al, 1957). Therefore, we wish to assert that West Africans have a history of cooperating in the establishment of trade institutions, which could be modified to facilitate the goods trade in the current era. The incentives for such cooperation were financial. As a result, the harmonisation of regional trade institutions in ECOWAS will depend on the extent to which gains are perceived by member states. Such gains are likely to emanate from the level of trade flows. An increase in trade flows will partly require the protection of traders from uncertainty and corruption such as bribe payments at border controls and illegal checkpoints which add to trade costs (Cissokho et al, 2012). It will also require enforcement of the ECOWAS customs union arrangements using the courts to enforce agreed policies.

The advent of colonialism had two facets in terms of institutional development. The first was the domestic administration system that included regional trade rules in the commercialisation of commodity trade (Adomakoh, 1962; Sugihara and Austin, 1993; Stiansen and Guyer, 1999 and Hopkins, 2014), and the second was the administration of international trade. According to Richards et al (2010) and Hopkins

(2014) Europeans were interested in two-way trade between Europe and West Africa, where West Africa provided raw materials for manufactured goods. As a result, the trade facilitating institutions were mainly geared toward international trade rather than regional trade. For example, a rail line in French West Africa from Dakar to Bamako linked the interior to the coastal area in order to transport raw materials to the ports of Senegal (Fall, 2002; Austen, 2010 and Hopkins, 2014). This rail line did not follow the traditional trade routes that existed previously; hence it was of little use for intra-West African trade at the time. As a result, there was little attention paid to the improvement of regional trade institutions during this period. This has built up the consensus in the existing literature that colonialism led to a production structure serving international trade rather than regional trade.

Nonetheless, during the colonial era, some institutions were created such as common currencies, a single administration and education system and contract enforcement rules which could be useful in promoting trade and cultural harmony in West Africa. Furthermore, they generated cooperation beyond national borders and partly formed the basis for the creation of WAEMU in 1994 and WAMZ in 2000 as separate organisations within ECOWAS. Shared institutions existed across British and French colonies. The four British colonies of Nigeria, The Gambia, Ghana and Sierra Leone including Liberia[5] at some point shared:

- 'British West African Shilling (BWAS)' as a common currency under the control of the West African Currency Board (WACB), first inaugurated in 1912 (Adomakoh, 1962; Hopkins, 1970; Carland, 1990; Hopkins, 2014 and Cuhaj, 2015)[6] and the,
- West African Examination Council (WAEC)

The BWAS was directly convertible to the British pound upon request by European traders in the colonies. This was synonymous to the convertible common currencies we discussed earlier during the Empirehood. Furthermore, the BWAS

[5] Liberia adopted the British West African Shilling (BWAS) until 1943

[6] The WACB replaced the Bank of British West Africa which was established in 1894 by British merchants and had branches in all the British colonies including Monrovia (in Liberia) (Hopkins, 2014)

signalled a historical change toward a monetarised currency which was more convenient for those engaged in international trade than the cowries used in the Empirehood and the early parts of colonialism (Hopkins, 2014 and Herbst, 2014). However, the colonial administrations and European traders did not encourage the BWAS to be used for regional trade. Its use as a medium of exchange to expand regional trade was conditional on a favourable balance of payments in the colonies (Hopkins, 1970; Hopkins, 2014 and Herbst, 2014). Therefore, the colonial currencies were intended to promote international trade rather than regional trade.

On the positive side, the BWAS resulted in the removal of exchange rate costs and led to the reduction of barter exchange (Hopkins, 1970; Ogundiran, 2000; Waines, 2010; Odunbaku, 2012 and Hopkins, 2014). The colonial administrations and European traders were keen to reduce barter for goods destined to the international markets by using the BWAS for goods purchased during the latter part of colonialism (Hopkins, 2014). Given the extent of unofficial trade in the region today (Meagher, 1997 and Golub and Mbaye, 2009), maintaining the BWAS would have eliminated exchange rate conversion costs, expanded regional trade and raised the income of traders.

Sy (2014) cited SWIFT[7], who stated that 50% of intra-African trade financial settlements are conducted with banks outside the continent, which adds to transaction costs and serves as a disincentive for trade and investment in the region. It can also be argued that the BWAS and CFA Franc gradually replaced cowrie shells, gold, cloth, iron rod and copper as a common currency in the later period of colonialism. This was enforced by the colonial administration favouring tax and other commodity payments in colonial currency rather than in kind or cowries (Nunn, 2007). Furthermore, although colonial practice included forced labour that was mainly compensated in kind (Gupta, 1981; Fall, 2002 and Osborn, 2003), use of the colonial currencies was later encouraged for payment of labour and for domestic agricultural products (Fall, 2002). Fall (2002) argued that the use of the colonial currencies was intended to enable French West Africans to pay their taxes to the colonial governments and to purchase imports. This payment system continues today in the form of direct and indirect taxes. The

[7] SWIFT- Society for Worldwide Interbank Financial Telecommunication

Empirehood also had an integrated tax system as discussed in Section 2. Nonetheless, Johnson (1970); Ogundiran, 2000 and Odunbaku (2012) argued that the cowrie shells continued to be used as a medium of exchange during the colonial period despite the colonialists' attempt to eliminate their use.

The role of the WAEC was to ensure common practices in the education of the British colonies in West Africa including Liberia (Nicol, 1971). WAEC ensured cooperation through the establishment of a common education system in the British colonies which had the potential to generate common standards and cultural diffusion (Agbodeka, 2002). For example, some of the committee members that administered the WAEC were nominated by the governments of member countries while other members were nominated by school teachers and members of higher education institutions (Nicol, 1971). Such practices could make standardisation of regional trade institutions less challenging and help inform citizens about their rights under the ECOWAS trade liberalisation scheme.

In the French colonies, similar institutions were established. France administered its West African colonies as the Federation of French West Africa from around 1895 to 1960 when the colonies gained their independence except for Guinea in 1958 (Renninger, 1979). The federation had a single currency (CFA)[8], common education system and single administrative system (Hullery, 2006). Some features of these institutions such as the CFA and monetary policy still exist today in the form of the WAEMU (Chafer, 2002). The maintenance of these institutions is attributed to several factors which shall be discussed later.

In the early days after independence some institutions were created beyond colonial affiliations. It is also difficult to prevent communities from interacting in economic and social matters due to the artificial borders of the colonial legacy. To some extent these issues and institutions formed the basis for the creation of ECOWAS. An

[8] CFA (French colonies of Africa and later French community of Africa) and the FCFA (Franc of the French Community of Africa) were both used in the colonial period. The CFA was used until 1958 when it became FCFA. Note that the CFA was used in both France and the colonies until 1945 when a separate CFA Franc was issued for the colonies in West Africa (Hopkins, 2014).

example of such an institution was the establishment of the West African Groundnut Council (WAGC) of Senegal, The Gambia, Mali, Niger, Nigeria and Burkina Faso in 1964. This cooperation was intended to facilitate the accumulation of products, such as groundnuts, for overseas markets (Renninger, 1979 and Mays, 2015). The process of accumulating groundnuts from various parts of the region was probably facilitated by the existence of common regional trade rules and cooperation. However, little research has been conducted into how such cooperation and institutions could have been maintained and expanded in order to promote regional trade.

Apart from the WAEC, the other institutions in the British colonies were abandoned after independence. WAEC ensured greater cooperation between the former British colonies in West Africa that could have served as a platform for cooperation in other sectors. The former French colonies maintained the single currency and recognised the desirability of maintaining at least some of the institutions due to several factors. First, France ruled its colonies in a more rigid, centralised way with some element of assimilation which made cooperation after independence desirable (Hullery, 2006 and Hopkins, 2014). A second and more recent argument suggests that France desired to maintain closer ties with its former colonies since an estimated 50% to 65% of WAEMU member’s net external assets must be deposited with the French treasury while the West African CFA franc is pegged to the euro (Sene, 2014 and Koulibaly, 2014).

However, enthusiasm to maintain the institutions of the colonial powers gradually eroded (Renninger, 1979). For example, Guinea opted out of the CFA and is now more aligned with the WAMZ of the English speaking countries. Richards and Nwanna (2010) argued that the British and French created market policies and institutions that were non-integrative at the regional level, which contributed to the slow pace of regional integration. In contrast, the French wanted to maintain closer ties with their former colonies. However, the colonial powers did create institutions that provided platforms for cooperation. These platforms have proved important as the Anglophone countries aspire to reinvent the common currency while ECOWAS intends to achieve a political union in the long run.

The extent to which contracts were enforced and disputes settled during colonialism was not entirely dissimilar from practices during the Empirehood. Nunn (2007) highlighted that labour contracts signed between Europeans and locals could not be broken without punishment. Furthermore, Carland (1990) highlighted that the colonial administration used local chiefs to communicate to the people. For example, the chiefs were used to communicate the value of the colonial currency to the locals and how they should avoid exploitation (Carland, 1990 and Apoh, 2008). These chiefs were synonymous to the representatives in each province during the Empirehood. Therefore, regional trade institutions during the Empirehood and colonial era were not entirely dissimilar. However, the protection of trade routes was more standardised and enforced during the Empirehood than in the colonial period. For example, bandits and robbers attacked trade routes in order to loot goods during the colonial period since their influence on trade was gradually replaced by European traders (Carland, 1990 and Conrad, 2010). In contrast, the Empirehood was able to protect traders from bandits and robbers.

The discussion in the previous sections shows that the common currencies exhibited a historical change into two monetarised currencies in West Africa during the colonial era, the BWAS and the CFA franc. This was a historical change from the Empirehood in terms of the number of currencies. Furthermore, there was a move to make cowries non-convertible to the colonial currencies in order to gradually replace them, while the colonial currencies were convertible with foreign currencies (Hogendorn and Johnson, 1986 and Apoh, 2001). Nonetheless, cowries and other pre-colonial currencies were also convertible with each other during the Empirehood (Hogendorn and Johnson, 1986; Muller, 1985; Conrad, 2010 and Hopkins, 2014). While the contract enforcement system was similar in the Empirehood and colonial era, the protection of trade routes was more organised through the royal armies in the Empirehood relative to the colonial era. It shows that there was little divergence in the standardisation of some regional trade institutions during the Empirehood and colonial era. This raises the issue of what has remained of regional trade institutions in

West Africa today and what are the implications for the ECOWAS deep integration goal?

Our review of the literature suggests that some regional trade institutions have gone backwards from their historical level. Table 1 summarises the historical changes of these selected institutions.

[Table 1 here]

Measures geared toward improving the quality of regional trade institutions, especially regulation of cross border trade through enforcement of protocols, a common currency and sensitisation of citizens could be prioritised if ECOWAS is to expand trade flows. Efobi and Osabuohien (2011) recently found that improving the quality of trade institutions in tandem with infrastructural development will promote intra-SSA trade. In the long run, ECOWAS could align policies and pursue a federal style administration if there is a desire to maintain regional peace and security and the goal of improving the standard of living of its citizens through economic development stimulated by trade and investment. During the Empirehood and colonial era, a federal style administration helped strengthen the effective implementation of trade agreements.

4. CONCLUSIONS

The current priorities in ECOWAS focus on aligning the West African Monetary Zone (WAMZ) and the West African Economic and Monetary Union (WAEMU), with the goal of launching a common currency and single central bank. This is reflected in the content of research papers looking at the feasibility of monetary union. Although a common currency may be welcome news, it will not address the recurrent challenges faced by cross border traders with regard to bribe payments at border points and unofficial road blocks. The ECOWAS president has acknowledged little progress in this area (Multimedia ECOWAS communication, 2015). ECOWAS members have signed protocols on the free movements of persons and goods; hence traders should not incur any uncertainty of trading costs. Furthermore, the ECOWAS CET came into force in January 2015 and should further eliminate costs.

ECOWAS has the potential to expand intra-regional trade if the improvement of trade institutions is prioritised. This paper developed a comparative analysis of the historical changes of trade institutions that existed in the pre-colonial and colonial era in order to draw lessons as to how ECOWAS can improve the regulation of cross border trade, enforcement of protocols and improve other trade facilitation institutions.

Our review of the literature suggests that the extra costs incurred by cross border traders contribute to four recurrent institutional failures that need to be addressed by ECOWAS (Yasane, 1977 and Ellis and Morgan, 1984). First, the regulatory quality of cross border trade is weak, due to poor monitoring and protection of trade routes. Second, the enforcement and punishment mechanism (rule of law) for those who break ECOWAS protocols on cross border trade is also weak. Third, traders are insufficiently sensitised regarding their rights and the channels they need to take in order to lodge a complaint. Fourth is the lack of currency convertibility in the region. Therefore, ECOWAS needs to operate beyond the office, beyond paper agreements and announcements by extending its operations at the border points and improving the effective implementation of trade rules and regulations.

Hence, ECOWAS needs to have personnel to patrol trade routes as well as staff at border points in order to monitor the implementation of protocols, in a similar way that royal armies patrolled trade routes during the Empirehood and royal officials in each province monitored arrangements. A federal style administration could be the sustainable longer-term approach to a successful integration scheme. Indeed, our findings (Table 1) suggest that regional trade institutions such as a common currency, enforcement of contracts and protection of trade routes were more standardised before many countries in ECOWAS gained their independence. Furthermore, ECOWAS needs to use media outlets in order to sensitise citizens to their rights. This must be accompanied by a willingness to punish those who harass traders, and to give incentives to officers in order to reduce the motivation to take bribes.

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Table 1: Development of Institutions in West Africa

Institutions	Empirehood	Colonialism		Post-independence	
	West Africa	English	French	English	French
Common currency	Y	Y	Y	N	Y
Standardised trade rules	Y	Y	Y	N	N
Protected trade routes	Y	N	N	N	N
Royal Courts	Y	N	N	N	N
Single administration	Y	N	Y	N	N

Source: Authors compilation

Note: Y=yes, the institution exists; N=no, institution did not exist